

**COMMITTEE ON ACCOUNTS, ENROLLMENT  
AND REVENUE ADMINISTRATION**

**July 16, 2002**

**4:30 PM**

Chairman Shea called the meeting to order.

The Clerk called the roll.

Present: Aldermen Shea, Guinta (late), Smith, Thibault, Lopez

Messrs.: S. Bassett, J. Shaffer, Deputy Solicitor Arnold, K. Buckley

Chairman Shea addressed Item 3 of the agenda:

Communication from Scott Bassett, Partner with McGladrey & Pullen, LLP, submitting the Fiscal 2002 Audit Plan.

Mr. Bassett stated we have been contracted to perform the audit of the City's financial statements for the year ended June 30, 2002. What I wanted to do this afternoon is give you this opportunity to ask any questions that you may have of our audit plan and then briefly go over what our audit plan is and the time schedule to perform the audit. I believe in your package you had an audit planning meeting memo, which describes certain procedures and objectives of our audit. Our overall objective is to issue an unqualified opinion on the financial statements in accordance with generally accepted auditing standards. In addition to the general purpose financial statements or the basic financial statements we also issue various fund financial statements during the course of our audit. In the accounting audit corporate environment, the roles of audit committees have become much more important and their role is being held to a greater degree of responsibility. With that, we have met in the past talking about audit planning but we think it is a good idea just to see...again look at the responsibilities of the auditor and responsibilities of the audit committee and also let you know that we are here as you are and if there is anything that arises that we should be notified on we would appreciate it if you would do that. Our audit approach...basically we use a sample design. We look at material items and go through the risk areas within the basic financial statements and then we plan our audit. We review the internal controls of the City and we determine materiality based on preliminary numbers that are provided to us from the City. Once the final numbers are cast we recalculate the materiality to make sure that we are still within our professional guidelines. The timing of this year's audit...we came in in the spring and did our preliminary work, which basically is testing sample transactions with disbursements, taxes and

things of that nature. The bulk of our audit work will be done in October of 2002 with the exception of the airport, which we plan to do here near the end of August and get that financial statement issued by the end of September. Our specific procedure is again to go through classes of transactions. We discuss certain financial procedures with financial personnel, confirm understandings of accounting systems, do walk throughs, we send out confirms to third parties to verify amounts and we do some recalculation of the amounts provided to us. We are independent with the City of Manchester. I believe the only extra work performed outside the audit this year was we performed some of the test services for some revenue bonds that were issued by the airport that were requested by the underwriter and the City. The total fees associated with that were probably \$20,000 for two revenue bond issues. There are a couple of things that I would like to bring up to you as far as what has changed in the professional since last year. I believe the biggest change came...well there are two major changes this year. One is more than an auditing change and one is more of a financial presentation change. On January 25, 2002 the general accounting office issued some new independent standards for auditors to follow. I know you have probably been reading a lot about what Congress is doing and what auditors can and cannot do. Well, the GAO came out very quickly on January 25 and issued standards for government auditors and what they could and could not do. I think it is a fair standard. There are still some questions of when you step over that independent threshold but the rules are very tight. Your auditors are your auditors and you have to make sure that you are independent if you go on and do some consulting work. They really tightened the standards on those and they reacted fairly quickly. A Q&A came out in May and there is still some gray area that people are arguing about but I think it was a step in the right direction and I would think that probably using the document that the GAO came out with that maybe the FCC will follow some of the same procedures. GASB 34, which I talked about probably in January when I delivered the report for the last couple of years is here. The financial statements will be cast under the new standard. Two bases of measurement. One on the basis that we are used to as far as what our general fund balance is and the other basis will be under full accrual basis where we group like funds together – business type activities and government wide statements. So, there are a lot of changes there. Now as far as our planning of the audit, if you, the Committee on Accounts acting as the audit committee for the City have anything you would like to tell me that could impact the scope of our audit work this year, please do so.

Alderman Smith asked in regards to the timing when do you think the complete audit will be done. I know you said January 2003. Would that be when we would get the final audit?

Mr. Bassett answered we would hope that the final audit would be done sometime in December. I would think on the City side we will be fine with that timetable but we do have two or three component units out there that have to give us their financial statements to be included in the general purpose financial statements. I expect having a full set of documents in December 2002.

Alderman Lopez asked could you go to Page 1. I need a little more explanation on “not absolute, assurance that the financial statements are free of material misstatement.” Could you elaborate on that?

Mr. Bassett replied I guess what we are saying there is that we are not testing 100% of the financial transactions of the City. That is not the design of the scope of the audit. What we are trying to do is provide you a reasonable assurance that the financial statements are free of material misstatements. We cannot be absolute because there could be something out there that was not brought to our attention or could be missed during the course of the audit. Basically, if we perform our procedures in accordance with generally accepted auditing standards we should be able to deliver that statement to you.

Alderman Lopez asked in saying that, one area that I believe we should take a good look at are leases that we have or contracts which we have had some discussion about in the past. On Page 2, I was wondering if we could have a better explanation on internal control and materiality. Where it indicates “recommendations for improving internal control that come to our attention will be summarized for discussion with management and the Board of Mayor and Aldermen.” If we are the audit committee we should get this information because we had some miscommunication I think during the last audit to a degree. Not a major thing but some department heads weren’t informed and I think we took action that the audit will come back to this Committee.

Mr. Bassett answered I guess I had that in there because in the past I delivered the report to the full Board of Mayor and Aldermen but if you gentlemen prefer that I come back prior to going to the full Board that is fine with me. You are the audit committee and to go through a draft even at that time would be fine with me. If we want to do that in December and go through the preliminary results we could do that.

Alderman Lopez moved to have the auditor present the audit to the Committee on Accounts, Revenue & Administration prior to presenting it to the full Board. Alderman Thibault duly seconded the motion. Chairman Shea called for a vote on the motion. There being none opposed, the motion carried.

Mr. Bassett stated again if there is anything that the audit committee becomes aware of, we would appreciate it if we were kept informed. The same during the course of the audit. If there is something that comes up that we need to inform you about we will do so during that time.

On motion of Alderman Thibault, duly seconded by Alderman Smith, it was voted to accept the FY2002 Audit Plan.

Chairman Shea addressed Item 4 of the agenda:

Communication from Guy Beloin, Financial Analyst II, submitting monthly Financial Statements for the twelve months ended June 30, 2002.

On motion of Alderman Lopez, duly seconded by Alderman Smith, it was voted to approve the monthly statements for the period ended June 30, 2002.

Chairman Shea addressed Item 5 of the agenda:

Communication from Robin Descoteaux, Financial Analyst I, submitting monthly CIP Report for the twelve months ended June 30, 2002.

On motion of Alderman Thibault, duly seconded by Alderman Guinta, it was voted to approve the CIP report for the period ended June 30, 2002.

Chairman Shea addressed Item 6 of the agenda:

Communication from Sharon Wickens, Financial Analyst II, submitting reports as follows:

- a) department legend;
- b) open invoice report over 90 days by fund;
- c) open invoice report (all invoices for interdepartmental billings only);
- d) open invoice report (all invoices due from the School Dept. only); and
- e) listing of invoices submitted to City Solicitor for legal determination.

Alderman Lopez moved to accept the reports. Alderman Smith duly seconded the motion for discussion.

Alderman Smith asked on Item 6, Page 12, we have over 90 days for Parks & Recreation...I guess the agency is the Manchester Highway Department and it is almost \$4,000.

Ms. Shaffer asked who is the customer.

Alderman Smith answered Parks & Recreation. Apparently they did some work at Hillside for Parks & Recreation. It was the Highway Department that did it. Maybe Parks & Recreation and the School Department can't get together. I don't know.

Ms. Shaffer replied right. I would say that is probably what the problem is there though we did receive a payment from the School District since the beginning of July, which obviously would not be recorded on this particular report but we can follow-up on this and let you know what the status of it is.

Alderman Smith asked on Page 14, Cahoots Sports & Grill for toters it is an insignificant amount but it is \$225. I don't know what the situation is there. I know that most of the citizens have to buy their own toters at \$45 dollars. I can't understand why they haven't paid this bill.

Ms. Shaffer answered this is a relatively recent bill. It is only about three months old here at this point. We will follow-up on that too to find out why they haven't made the payment.

Alderman Smith asked is there any way...I mean they are doing quite a business and I know that because of the Verizon Arena and we supply water and is there any way that we can get...they say it is an insignificant amount but we are out here \$2 or \$3 million. If we can encourage them whether it is the Manchester Water Works saying we are going to stop your water until you pay the bill or whatever because I know in the Highway Department if a police officer hasn't been paid, they won't give any excavation out to a...

Ms. Shaffer interjected right now obviously if you haven't paid a water bill or a sewer bill they have the ability to threaten you with shut-offs. We here in the City don't have that particular ability or power if you will. I don't think that would work because of the fact that Water and EPD are Enterprise funds. One of the things that we have discussed in the past is throwing a penalty on to late payments but we haven't gotten as far as having that approved and proceeding along those lines. What we usually do and I think we have been talking about this over the course of the past few meetings, is after 60 days at the departments discretion and with their approval we send delinquent bills on to collection. If they don't pay, we have no other mode of enforcement in that regard.

Alderman Thibault stated Alderman Smith brings up a good point and I think I brought this up several meetings ago that we have to find a mechanism to have

these people that are still in business pay these bills. Now I think Alderman Smith is right on target on that. That is something that we should be doing and I don't know if it is the legal department but somebody should be looking at this. There has to be a way – either shut their water off or do something so that they pay. I am sorry, Tom, but I would really want the legal department to look into this and see if there is a way that we can do this in order to force them to pay these bills. Like Alderman Smith said, we are \$2 million in the hole in these accounts because people just leave the City and leave us with these bills and we can never collect them, as you know because you have been working on that for a long time.

Deputy Solicitor Arnold replied I have a number of these cases that I am working on when I have time. As you know, the present policy is to send them to our office when it is \$1,000 or above and that is basically because there is a certain level at which the effort we have to put in to collect the bill exceeds what we will get back in return so to speak. What we could do is if Finance wanted to look at where the status of this is...I gather it hasn't been sent to the collection agency yet but maybe it appears that they are being reticent in paying their bill and if Finance wanted to get in contact with me I could send them a letter saying there is an outstanding debt and please remit or else or language along that line and maybe encourage them.

Alderman Thibault stated I am not sure, Tom, if this is the way we have to go but there certainly has to be a mechanism developed in this City before it gets to 90 days or 120 days or 160 days because Alderman Smith is right. We lose this money constantly. I understand your point about how much it costs but can you also understand the intent to the customer out there. If they see that they can get away with it for 120 days, they are going to do that and we are the ones who are picking up that tab. I would appreciate anything that could be done and I would charge the...

Deputy Solicitor Arnold interjected unfortunately that is a little more problematical given the present state of the law.

Alderman Thibault stated there has to be a way and I would like you research that and come back to this Committee and let us know what kind of procedures we can develop to go after these people. I would think after 90 days would be an appropriate time. If they haven't paid in 90 days, here is where we are at and we are going to after it.

Deputy Solicitor Arnold replied I can certainly sit down with Finance and we can discuss that.

Chairman Shea asked can you bring something back to the next meeting.

Deputy Solicitor Arnold answered I never make promises anymore but I will attempt to do that. I realize that the Committee wants me to come back.

Alderman Lopez asked, Joanne, on 6E and Tom maybe you can help me, on the dates that you submit things to the City Solicitor...Tom I don't see any date unless I am missing it where you sent a letter for court proceedings or anything. Is there a date that I am missing here?

Deputy Solicitor Arnold replied I don't think it is reflected on this particular report. I can tell you that the court proceedings listed here, that by and large the majority of them were brought at the very end of last year and are presently if they have not been paid, in litigation. Unfortunately the present timeframe in district court for small claims between bringing a complaint and having it heard is about a year.

Alderman Lopez asked is it their obligation to bring it up before the three-year period or can they just bypass the three-year period.

Deputy Solicitor Arnold asked are you talking about the court.

Alderman Lopez answered yes.

Deputy Solicitor Arnold stated once the action is filed, the three years is tolled, meaning the three years does not continue to run. If we get the claim in before the end of three years it will remain outstanding until the court acts on it, and if we get a judgement, until we collect it.

Alderman Lopez stated just as a note maybe we can work it out with Joanne so that she can put down the date that she sends it and it won't look like Finance just sends you the information and nothing happens.

Deputy Solicitor Arnold answered certainly.

Alderman Guinta stated on Page 25, Thrifty Car Rental, it looks like they have quite a sum.

Ms. Shaffer replied this is an Airport accounts receivable. Theresa is here from the Airport and she says that the bill is currently paid. Chairman Shea, as we were discussing penalties and other things that have to do with collections, Randy Sherman brought to my attention that number 7 that is tabled is one of the items that we have been having an ongoing discussion about and that is in regard to the collection policy. I believe that the reason it is on the table is because we have the

different departments who want to be waived from the standard collection process and we have been gathering information about that except that we don't have that all conclusively put together at this time.

Alderman Thibault asked so would you like that to stay on the table.

Ms. Shaffer answered yes and in that regard too we can further discuss with Tom other things that we might implement that would speed up the collection process.

Alderman Lopez asked, Joanne, when you people decide that you have everything done, make sure that all of the parties are available at the meeting.

Ms. Shaffer answered right because a lot of them would like to speak for themselves and their departments.

Chairman Shea called for a vote on the motion to accept the reports. There being none opposed, the motion carried.

### **TABLED ITEMS**

7. Communication from Sharon Wickens, Financial Analyst II, submitting a Collections Policy for review.

This item remained on the table.

8. Communication from Kevin Buckley, Internal Audit Manager, submitting the Internal Audit Report relative to the Traffic Department (Canal Street and Victory Garages.)

On motion of Alderman Smith, duly seconded by Alderman Thibault, it was voted to remove this item from the table.

Alderman Smith stated, Kevin, I notice your conclusion on the back page here in regards to the garages and apparently they don't agree with the first observation that you made. I want to know where are we with the status of that company and what are your concerns?

Mr. Buckley replied last week I sent them another information request requesting three years worth of information including their last three worker's compensation audits. Every year they are required to get an audit from their worker's compensation carrier, which would show their loss runs and show their experience and this will give me a better handle on it. I also, just before the meeting, was on the phone with another insurance agent who is looking into this also and he was



telling me that he felt that the 12% was very high and it should probably be lower. He gave me some other directions on what to be looking for.

Alderman Smith asked in regards to the worker's compensation.

Mr. Buckley answered yes.

Alderman Smith stated I have the booklet that we received last month. How is it going on the other aspects of it? I know that we were thinking there was maybe \$11,000 one way or the other.

Mr. Buckley replied that \$11,000 only covered eight months worth of expenditures. If you can extrapolate that out, we are talking...again I have to look in prior years to see what the rates were. Maybe at one time the rate would have been closer to 12% and it has been dropping and they just haven't been adjusting what they are charging the City. I won't know until I look at the stuff.

On motion of Alderman Lopez, duly seconded by Alderman Thibault, it was voted to put this item back on the table.

### **NEW BUSINESS**

Communication from Joanne Shaffer, Second Deputy Finance Officer recommending that the Finance Department's credit card limit be increased for Health employees only for a period of sixty days up to a maximum amount of \$10,000 per cardholder with an aggregate amount of \$50,000 for all holders.

Ms. Shaffer stated I am not sure that all of you knew that the City had a business credit card program. I know when it was first initiated it was brought to this Committee for its initial approval prior to going to the Board of Mayor and Aldermen. Of course, whatever policy we set at that time is the policy that is still in existence and because of the emergency situation that Health found itself under in the last couple of days and the fact that they needed accessibility to purchase whatever they needed on the spur of the moment, the request was made to temporarily increase their credit card limits. We thought that it should be brought to the Committee's attention.

Alderman Lopez asked how many credit cards does the Health Department have.

Ms. Shaffer answered five and I do have all of that information but I didn't think that those credit card numbers should be divulged at a public meeting basically.

Alderman Lopez asked so each cardholder could spend \$10,000.

Ms. Shaffer answered it would give them the ability to spend up to \$10,000 for replacement items, office supplies, health related equipment and whatever they might need over the short term basis.

Alderman Lopez asked what kind of controls would there be. Would Fred be the one okaying it?

Ms. Shaffer answered correct. Basically the attached memo gives you the simple rules that are attached to the credit card policy and the fact that the credit card participant signs off and agrees to all of the conditions that are set here. The page that shows employee applications and authorizations...basically each individual's name, social security number, as well as the other pertinent information is filled in on this particular form and then down at the bottom the department head who is authorizing those expenditures by those individuals has to sign off on it. We don't usually do anything unless it has a department head's signature attached to it. That is step number one.

Chairman Shea asked if someone from the Health Department were to use a credit card for a certain necessary expenditure is that credited to their department or their expense. In other words, does that come out of their budget?

Ms. Shaffer answered yes. I think that is part of the conditions. It says each department head must closely monitor charge expenditures as PO's will not likely be used for charged purchases. This will encumber the funds for budgetary purchases so for each individual group it is charged to their individual departmental budget.

Alderman Smith asked is the Finance Department going to oversee this.

Ms. Shaffer answered that is correct and I bring to your attention that this is only on a temporary basis. It is only for 60 days that it is going to be in effect and then the limits will revert back to \$2,500, which is the maximum on any cardholder in the City.

Alderman Thibault asked is this in view of what just happened this past weekend here and we are hoping to get back on track.

Ms. Shaffer answered that is correct.

Alderman Thibault asked how long is that going to last.

Ms. Shaffer answered we will allow this for 60 days.

Alderman Thibault asked and then it will revert back.

Ms. Shaffer answered yes.

On motion of Alderman Lopez, duly seconded by Alderman Thibault, it was voted to approve the recommendation of the Finance Department and increase the credit card limit for Health Department employees to \$10,000 per cardholder, with an aggregate maximum of \$50,000 for all holders for a period of 60 days.

There being no further business, on motion of Alderman Smith, duly seconded by Alderman Thibault, it was voted to adjourn.

A True Record. Attest.

Clerk of Committee